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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 12/18/09

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### 3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, December 17

NIKKEI (Page 2) (Full)  
December 18, 2009

08:20 Attended ministerial committee meeting on defense buildup at the Prime Minister's Official Residence (Kantei). Attended afterwards security council meeting.

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09:06 Attended cabinet meeting. Met Foreign Minister Okada; Land, Infrastructure, and Transport Minister Maehara, Defense Minister Kitazawa, and Chief Cabinet Minister Hirano.

10:25 Met Finance Minister Fujii and Government Revitalization Unit chief Sengoku. Met SDP Secretary General Shigeno, PNP Secretary General Jimi, State Minister for National Strategy Kan, Fujii, and Hirano. Afterward met Kan, Fujii, Sengoku, Senior Vice Minister of the Cabinet Office Furukawa, and Deputy Chief Cabinet Secretary Matsui.

12:54 Departed for Copenhagen to attend the COP15 summit-level meeting aboard a government plane from Haneda Airport.

Afternoon

(Denmark) Arrived at Kastrup Airport in Copenhagen.

### 4) Agreement reached on shelving Futenma

MAINICHI (Page 5) (Full)  
December 18, 2009

U.S. Deputy Chief of Mission James Zumwalt from the U.S. Embassy in Japan yesterday called on Democratic Party of Japan Diet Affairs Committee Chair Kenji Yamaoka in the Diet building and held talks with him. On the issue of the relocation of the U.S. Marine Corps' Futenma Air Station, Zumwalt stressed: "The Futenma issue is not the only (issue) that concerns relations between Japan and the United States. We would like to build good relations in other areas as well." In response, Yamaoka also said: "We should shelve the Futenma issue temporarily and consider it in tandem with other matters."

### 5) Government decides not to include Futenma spending in 2010 budget

NIKKEI (Page 2) (Excerpt)  
December 18, 2009

The government decided yesterday not to include in the fiscal 2010 budget bill the cost connected with the relocation of the U.S. Marine Corps' Futenma Air Station in Okinawa Prefecture. If necessary, the reserve fund appropriated for unspecified spending will be used. At the same time, the budget will include some 50 billion yen for improving, among other installations, a U.S. base on Guam for the 8,000 Marine Corps to be relocated from Okinawa in accordance with a Japan-U.S. agreement.

### 6) Osaka governor says National Governors' Association should discuss Futenma issue

NIKKEI (Page 2) (Full)  
December 18, 2009

The National Governors' Associations held a meeting yesterday in Tokyo. Referring in the meeting to the relocation of the U.S. Marine Corps' Futenma Air Station in Okinawa Prefecture, Osaka Gov. Toru Hashimoto proposed that the association discuss the issue if it receives such a request from the central government. Fukuoka Gov. Wataru Aso, chairman of the association, replied: "This is basically

an issue for the central government to deal with. We will continue discussions on how the association should deal with it in the future."

7) PM orders ministers to find new Futenma relocation site quickly

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ASAHI (Page 4) (Excerpt)  
December 18, 2009

Prime Minister Yukio Hatoyama yesterday met with Foreign Minister Katsuya Okada, Defense Minister Toshimi Kitazawa, and other relevant cabinet ministers to discuss the relocation of the U.S. Marine Corps' Futenma Air Station (in Ginowan, Okinawa Prefecture). Hatoyama ordered them to quickly look for a new alternative site that can replace Henoko so that Futenma can be relocated there by [2014](#).

8) Hiranuma eager to form a new party

YOMIURI (Page 4) (Full)  
December 18, 2009

Takeo Hiranuma, an independent House of Representatives member and former economy, trade and industry minister, said yesterday on a CS broadcasting program: "One of my missions is to form a new political party before the next House of Councillors election," expressing his eagerness to form a new party. He appears to be calling on lawmakers who have bolted the Liberal Democratic Party to join a new party.

9) New Komeito should return to its origin: Soka Gakkai

NIKKEI (Page 2) (Full)  
December 18, 2009

The New Komeito and the religious sect Soka Gakkai, the main support body of the New Komeito, held a liaison meeting yesterday at the party's headquarters. It was the first meeting to be held since Natsuo Yamaguchi became the leader of the New Komeito. Koji Harada, a Soga Gakkai deputy director, said, "The New Komeito has lost its own political identity because the party placed priority on the coalition with the Liberal Democratic Party. I want the party to return to its starting line." Yamaguchi then asked for support from Soka Gakkai, saying, "Winning the House of Councillors election next year is the only way to prove that our party has been rebuilt."

10) DEFENSE & SECURITY

Ex-MOFA official testifies on existence of secret deals

YOMIURI (Page 4) (Full)  
December 18, 2009

An expert panel of the Ministry of Foreign Affairs (MOFA) has been examining "secret agreements" allegedly concluded between Japan and the United States. Shinichi Kitaoka, professor of the University of Tokyo, heads the panel. It was learned on Dec. 17 that the panel questioned a former senior ministry official for the first time (about the secret accord issue), and the former official testified that there were documents to support an agreement allowing the introduction of nuclear weapons into Japan, which is believed to have been concluded in 1960 when the U.S.-Japan Security Treaty was revised.

11) Japan to go ahead with nationwide deployment of PAC-3

ASAHI (Page 4) (Abridged)  
December 18, 2009

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The Hatoyama cabinet held a meeting of the Security Council of Japan (SCJ) yesterday, with Prime Minister Hatoyama presiding. In the

meeting, the SCJ decided on a basic course of action for compiling the next fiscal year's defense budget. The SCJ discussed the networking of ballistic missile defense (BMD) systems and decided to ensure Japan's readiness, including the Self-Defense Forces' capability to counter ballistic missile attacks. Specifically, the SDF will upgrade the systems of its existing conventional missiles that are not outfitted with the Patriot Advanced Capability 3 (PAC-3), a ground-to-air guided missile system. With this upgrade, the SDF will ready its PAC-3 deployment across the nation.

The Defense Ministry, in its budget request, earmarked 94.3 billion yen for deployment of PAC-3 batteries in Hokkaido, Aomori, and Okinawa, in addition to those already deployed to SDF bases covering the Kanto, Kinki-Tokai, and Kyushu regions. But the Finance Ministry insisted on the necessity of strictly restricting the government's burden of payments to be made in future fiscal years, since the government has decided not to revise its current national defense program guidelines and midterm defense buildup plan until next fiscal year.

In its basic course of action, the SCJ points to the serious threats from North Korea's nuclear and ballistic missile development. The PAC-3 has yet to cover the three regions, where the SDF will improve or upgrade its existing PAC-2 radar and its command and control system. According to the Defense Ministry, the PAC-2 can be upgraded to the PAC-3 by combining PAC-3 missiles and launchers with the PAC-2 system.

The government has so far introduced a double-decker system for BMD. Against potential missile attacks, the Standard Missile 3 (SM-3), a sea-based missile defense system onboard Aegis-equipped destroyers, covers Japan entirely in its missile defense shield. In case the SM-3 fails to intercept launched ballistic missiles, the PAC-3, a land-based missile defense backup system, will shoot down such missiles. The SDF has been deploying PAC-3 batteries to defend Japan's "political and economic centers and other areas that are highly likely to come under attack," according to Yoshinori Ono, a former director general of the Defense Agency, now upgraded to full ministry status. The SCJ-adopted course of action means to authorize the Defense Ministry to extend the PAC-3 deployment all over the country in addition to the Tokyo metropolitan area and other densely populated localities.

However, the question is how far to extend the PAC-3 shield. This will be left to discussions to be held next year on a new set of national defense program guidelines, based on the North Korean situation and Japan's fiscal circumstances.

12) Concerns that retrenchment of FY10 defense budget may undermine deterrence

YOMIURI (Page 2) (Excerpts)  
December 18, 2009

The government decided on Dec. 17 in its basic policy for the formulation of the FY2010 defense budget not to increase Self-Defense Forces (SDF) personnel and to implement only upgrades in stages instead of nationwide deployment of the ground-to-air Patriot missile 3 (PAC-3) under an overall policy of budget retrenchment. While this is due to the government's tight fiscal

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situation, there is discontent in the Ministry of Defense (MOD).

Certain MOD officials are voicing concern, saying, "With North Korea's nuclear and missile threat and China's sustained military buildup, cutting back the budget under a situation where a debate on defense buildup is being deferred may lead to the deterioration of deterrence."

13) SDP also given consideration in defense budget policy; additional PAC-3 deployment deferred

MAINICHI (Page 5) (Slightly abridged)  
December 18, 2009

Yasushi Sengoku

The government settled on its policy for the formulation of the FY10 defense budget at a cabinet meeting on Dec. 17. It has decided to implement defense buildup based on the current National Defense Program Guidelines (NDPG), while deferring the additional deployment of land-based interceptor missile (PAC-3) for the missile defense systems. However, the government also made an ambiguous decision to implement upgrades that effectively amounts to the same thing as additional deployment.

This defense budget policy will take effect for only one year in light of the one year delay in revising the NDPG and the Mid-Term Defense Buildup Program. With regard to additional PAC-3 deployment, the policy merely mentions "improvements necessary for maintaining existing functions." However, in reality, improvements will be undertaken even in the radars, firing control devices, radio relay systems, and other critical components of PAC-2 interceptors, which will bring them to PAC-3 level once the launchers are upgraded. A senior Ministry of Defense official points out that "this is more than 80 percent PAC-3." With this in mind, Defense Minister Toshimi Kitazawa told reporters that the question of PAC-3 is "a bit tricky."

The background behind this decision is that the policymaking process was affected by the demand of Minister for Consumer Affairs and Declining Birthrate Mizuho Fukushima, leader of the Social Democratic Party (SDP), which is a member of the coalition, to "deliberate in the direction of eliminating wasteful spending." The delay in revising the NDPG was also due to the administration's failure to decide on a policy out of consideration for the SDP. As a result, even policies on critical equipment like PAC-3 have to be elusive.

14) ANA, two U.S. partners to apply for antitrust immunity "by year's end"

NIKKEI (Page 11) (Excerpt)  
December 18, 2009

All Nippon Airways (ANA) President Shinichiro Ito officially announced in a press conference yesterday that ANA and two leading U.S. air carriers -- United Airlines and Continental Airlines - will start taking necessary procedures to integrate their flight operations between the two countries. The remark came after the Japanese and U.S. governments agreed to conclude an open skies accord to liberalize their aviation markets. Ito said: "If possible, the three companies will apply for antitrust immunity (with the U.S.

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Transportation Department and the Land, Infrastructure, Transport and Tourism Ministry) by the end of the year."

15) Toyota Tsusho acquires 15 PERCENT stake in coal-bed methane project in Australia, with total investment at 20 billion yen

NIKKEI (Page 11) (Excerpts)  
December 18, 2009

Toyota Tsusho Corp. purchased a stake in a coal-bed methane (CBM) project in Australia. The company will participate in the development project of the BG Group, a leading British energy company, with its total investment at approximately 20 billion yen. The group plans to start producing liquefied natural gas (LNG) from CB M in early 2014. Demand for CBM is expected to increase in the future. The company will invest in projects to develop CBM and expand its resources and energy businesses.

Toyota Tsusho has spent almost 10 billion yen to acquire a 15 PERCENT interest in the project in the state of Queensland. The project is slated to start in 2010. The company will also share expenses for exploitation, as well as for building pipelines and LNG production facilities.

16) Hatoyama: "I will make COP15 successful without fail"

MAINICHI (Page 3) (Excerpt)  
December 18, 2009

Prime Minister Yukio Hatoyama left Haneda Airport by government plane yesterday afternoon and arrived at the Kastrup International Airport in Denmark on the evening of the same day, local time, to attend the summit meeting of the 15th session of the Conference of the Parties to the UN Framework Convention on Climate Change (COP15) in Copenhagen.

Before leaving Japan, Hatoyama told reporters at the Prime Minister's Official Residence: "The session will provide a chance for Japan to demonstrate strong leadership. I will make it successful without fail. We must not allow the U.S. and China to be reluctant (to accept an ambitious target to reduce greenhouse gas emission) while only Japan (is eager)."

17) Fisheries Agency reports Sea Shepherd disrupted operations of Japanese research whaling fleet in Southern Ocean

YOMIURI (Page 36) (Full)  
December 18, 2009

The Fisheries Agency reported on Dec. 17 that the anti-whaling group Sea Shepherd threw ropes into the sea to entangle screws and engaged in other activities to disrupt the operations of the Japanese research whaling fleet in the Southern Ocean.

The Shonan Maru No. 2, which is in charge of monitoring the Sea Shepherd's activities in the whaling fleet, was targeted in the disruptive activities. The Sea Shepherd's ship Steve Irwin closed in within 200 meters of the Shonan Maru No. 2 on the afternoon of Dec. 17 (Japan time) and threw ropes into the sea and irradiated it with green laser beams.

ROOS